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PRC STATE COUNCIL BULLETIN,

No 7, 20 March 1985, No 8, 30 March 1985

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19 January 1986

CHINA REPORT

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No 7, 20 MARCH 1985; No 8, 30 MARCH 1985

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No 7, 20 March 1985; No 8, 30 March 1985

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STATE COUNCIL ISSUES LOAN CONTRACT REGULATIONS

Beijing STATE COUNCIL BULLETIN in Chinese No 7, 20 Mar 85 pp 133-136

[Loan Contract Regulations; Promulgated by the State Council on 28 February 1985]

(Cuofa [0948 4099] (1985) No 29)

[Text] Chapter I. General

Article 1. These regulations are specially formulated in accordance with the relevant rules in the "PRC Economic Contract Law" (Note: "PRC Economic Contract Law" was published in 1981 Issue No 26 of this publication), for the purposes of strengthening management over credit funds, raising the efficiency of the employment of funds, protecting the legitimate rights of the parties of loan contracts, and ensuring the implementation of the state's plans on credit.

Article 2. These regulations apply to loan contracts which are signed between enterprises, institutions and other units that are independent accounting units and that are publicly or collectively owned as one party (hereinafter borrower) and banks and credit cooperatives as the other party (hereinafter lender).

The implementation of loan contracts between urban and rural individuals and banks and credit cooperatives refers to these regulations.

Article 3. Both borrowers and lenders must observe state law, act in accordance with state policies and plans and relevant regulations and sign contracts on the basis of equality and consultation.

No unit or individual shall be allowed to force any bank or credit cooperative to sign any loan contract or release any loan funds.

Article 4. As soon as a loan contract is signed according to law, it becomes legally binding and the parties to it must strictly observe the terms of the contract and perform the duties stipulated in the contract.

Chapter II. The Making and Implementation of Loan Contracts

Article 5. Borrowers must submit applications for the loan. Only after lenders screen and approve applications, can loan contracts be signed.

A loan contract must be in writing. Loan application forms, certificates and agreements related to loans and the documents concerning any contract revisions which are agreed upon by both parties are also constituent parts of the contract.

Loan contracts must bear the seals of the legal representatives of both parties or the seals of the agents with proven authority assigned by legal representatives of both parties. It must also bear the seals of the units concerned.

Article 6. A loan contract must contain the following terms:

1. the type of loan;
2. the purpose of the loan;
3. the amount of the loan;
4. the rate of interest on the loan;
5. the repayment schedule;
6. the source of funds for and method of repayment;
7. terms of security or guarantee;
8. liability for breach of contract;
9. other terms that both parties have agreed upon through consultation.

Article 7. Borrowers applying for a loan from the People's Bank of China, must possess a certain percentage of self-owned funds and have as security materials, goods or property that are marketable and useful. When borrowers are unable to repay lenders are entitled to demand, in accordance with legal procedures, disposal of the materials, goods or property that borrowers have placed as security.

Borrowers who do not entirely satisfy the stipulations on the qualification for applying for loans in Article 1 of these regulations but have some special need for a loan, may apply for loans. Nevertheless, only when borrowers provide the necessary legally qualified guarantors and obtains approval from the lender and only after the loan application is reported to and approved by upper levels shall the borrower obtain the loan.

Article 8. If a guarantee is necessary in accordance with the requirements of Paragraph 2 of Article 7, or a guarantee is required because one of the parties wants it or because the two parties think it necessary through consultation, guarantors must possess properties enough to repay the loan. When borrowers fail to carry out the contract, guarantors are obliged to shoulder the responsibility to repay both the principle and the interest on the loan. Having fulfilled responsibilities as guarantors, guarantors have the right to demand disbursement from borrowers.

Article 9. Borrowers must use loans for the purpose defined in the loan contract and are not allowed to use loans for other purposes or to conduct illegal activities. Borrowers must repay the principle and interest according to schedule.

Article 10. Lenders have the power to check and examine the use of loans and be informed of the implementation of borrowers' plans, and other matters including the borrowers' administration, management, and financial activities and stock of materials and goods. Borrowers must provide lenders with the information related to plans, statistics, financial, and accounting statements and data.

Chapter III. Alteration and Termination of Loan Contracts

Article 11. A loan contract is allowed to be altered or terminated for any of the following reasons:

1. the state plan and related budgetary estimates on which the loan contract was based when it was drawn up are revised or abrogated with the approval of organizations which originally issued the plan;
2. construction projects are canceled, suspended or delayed by the organizations which originally approved them;
3. borrowers are indeed unable to honor the loan contract because, with the approval of the state, they have decided to close down, merge with other units, split up or switch to another line;
4. the loan contract becomes impossible to perform owing to natural disasters unforeseeable accidents;
5. while honoring the contract, it is found that because of erroneous decisions, to continue would cause losses or waste.

Article 12. When either party wants to alter or terminate the contract, it must promptly notify the other party. Notices or agreements about alteration or termination of loan contracts must be in writing. Before agreements are reached, original loan contracts remain in force.

Article 13. After the alteration or termination of loan contracts, borrowers must repay, in accordance with the terms of the original contract, the amount already borrowed and any accrued interest.

Article 14. In case of merger or division concerning one of the parties, the reorganized unit concerned shall undertake separately or jointly the duties of the loan contract and enjoy the rights due them.

Chapter IV. Liabilities for Breach of Contract and Punishment for Violation of Law

Article 15. If borrowers use loans for purposes other than stipulated in contracts, lenders shall be empowered to recover part or all of the loan and fine borrowers by imposing higher interest rates than stipulated by banks on parts of loans used in violation of contract terms. In serious cases, banks may suspend new loans for certain lengths of time.

Article 16. If borrowers fail to repay loans according to schedule, lenders are empowered to set a deadline for repayments and fine borrowers by charging additional interest in accordance with bank regulations. If borrowers repay loans ahead of schedule, interest should be reduced in accordance with bank regulations.

Article 17. If lenders fail to provide loans according to schedule through any default, lenders should pay the borrower damages calculated according to the amount and length of time concerned. Damages for breach of contract are calculated in the same way as the penalty interest in Article 16 of these regulations.

Article 18. If borrowers use loans to cause losses or waste or to conduct illegal activities, lenders must demand repayment of the principle and interest; relevant units must investigate and affix the administrative and economic responsibilities of the persons directly responsible. In serious cases legal organizations should investigate and affix criminal responsibility.

Article 19. If banks or credit cooperative employees cause any losses or waste of the loan or exploit loan contracts to conduct illegal activities, administrative and economic responsibility for the offense must be investigated and affixed. If serious, legal organizations should investigate and affix criminal responsibility.

Article 20. If any unit or individual violates articles 2 and 3 of these regulations, the administrative and economic responsibility of the directly responsible persons must be investigated and affixed. If serious, legal organizations should investigate and affix criminal responsibility.

Article 21. If any disputes arise concerning loan contracts, both parties concerned must promptly hold talks to solve the disputes. If the talks fail, either party may apply to contract administrative organizations for mediation and arbitration and may also directly sue the other in a people's court.

Chapter V. Supplementary Articles

Article 22. Loan contract forms are to be drawn up by banks and credit cooperatives.

Article 23. Provinces, autonomous regions, municipalities and relevant departments of the State Council may formulate implementation methods in accordance with these regulations.

Article 24. These regulations shall go into effect on 1 April 1985.

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CSO: 4005/1363

STATE COUNCIL CIRCULAR ON CUTTING ADMINISTRATIVE COSTS

Beijing STATE COUNCIL BULLETIN in Chinese No 7, 20 Mar 85 pp 137-139

[State Council Circular on Reducing Administrative Expenses (28 February 1985)]

(Guofa (1985) No 28)

[Text] Over the past few years, administrative expenses at various levels have continued to increase. Expenses in 1983 rose 21 percent over 1982, and in 1984, 28 percent over 1983, greatly exceeding the rate of increase in financial revenue. The proportion of administrative expenses in domestic financial expenditures rose from 7 percent in 1982 to 8 percent in 1984. Failure to impose strict controls to stop this sharp increase shall not only increase the nation's financial expenditures and hinder the "four modernizations," but will also promote the growth of unhealthy trends, such as bureaucracy and waste, and impair relations between the party and government and the masses. The State Council holds that this situation cannot be allowed to continue and that we should rouse the attention of leading groups at all levels to adopt effective measures, impose sincere control and thus consolidate and develop a good situation. For this purpose, the following circular is hereby issued:

1. Firmly curb administrative expenses. Administrative expense budgets on all levels from central to local are hereby reduced by 10 percent. The money saved will belong to finance departments at various levels. The proportions of actual reductions for each unit shall be voluntarily set by various levels of people's governments according to the general requirements stated above.
2. Strictly control the size of administrative organizational systems. With the exception of staff levels which have already been approved by the State Council, no staff levels in any area or department may be increased this year. Where the authorized workforce falls short of approved levels, units should nevertheless strive to maintain current levels or add only a limited number of staff this year, unless requirements are urgent. No additional public funds shall be allocated for employment of staff in excess of authorized levels. Existing provisional and subordinate organizations shall be checked conscientiously and put in order and merged or dissolved as necessary. Henceforth, no organ shall be allowed to borrow or transfer personnel from the units under it or to employ temporary workers for a long time thus increasing the size of its work force in disguise. Deadlines should be set for organs to return and transfer back personnel already borrowed from subordinate units and to dismiss temporary employees who have been on their jobs for too long a time. State Council departments shall not request the creation of new organs or personnel increases while gearing jobs to training.

3. Vigorously reduce expenditures for the purchase of equipment and for office administration. All areas, departments and units must strictly carry out the State Council's "Emergency Circular on Strictly Controlling the Purchasing Power of Social Groups" (Note: this circular is published in Issue No 5 of 1985 of this publication) and relevant regulations. Social groups may not purchase on their own the 17 kinds of commercial products over which the state has imposed special control, except for newly-established units and those units with special requirements which have obtained approval according to prescribed procedures. Purchases of commodities which are not under special controls should be kept to a minimum. At the same time, the practice of units using public funds to pay in advance for employee purchases of high-grade consumer durable goods must be strictly forbidden. All units should carry on the spirit of hard struggle and practice thrift in building up the country. They should fully utilize existing stocks of stationery, furniture and equipment, or repair what is broken and refrain from pursuing higher standard or modernized things. Imported goods should not be used if domestic products are available thus reducing expenditures of foreign exchange.

4. Cut down on the number of meetings, documents and publications. Encourage fewer and shorter meetings, pay attention to actual effect, strictly control the number of participants in meetings and reduce meeting expenses. Leading organs at all levels should improve methods of approach and style of leadership, be very realistic in giving guidance, and do their best to issue fewer documents. Particular attention should be paid to improving the quality of documents and avoiding duplication or contradiction in content. Now quite a few departments are rushing to set up their own newspapers or journals and there are many internal publications, briefs and report forms. Some are of poor quality and have already become a burden on office work and leading cadres; therefore, we should conscientiously sort out and consolidate them. In the future, state finances generally should not be used to subsidize departmental newspapers or journals. Areas and departments should draw up concrete measures to reduce meetings, documents and publications. Otherwise, it will not only be impossible to curb administrative expenses, but will also be difficult to change the "mountain of documents and sea of meetings."

5. Resolutely put an end to unhealthy practices. All areas, departments and units must rigorously implement CPC Central Committee and State Council regulations concerning imposition of strict control over payments of bonuses or subsidies and over payments in kind. Stepping beyond authority fixed by the state, or expanding without authorization the scope or raising standards of such payments to make excessive payments in cash or in kind shall not be permitted. Excuses may not be invented to disguise a raise in wages and benefits for employees. If uniforms are needed for state employees, approval should be obtained from the State Council; no area or department has the authority to make this decision. Protective gear required by some personnel in government organs should be issued in strict accordance with state regulations and within quantitative and qualitative limits. Woolen clothing should not be issued in their stead. The practice of spending public money to give banquets or gifts or tour scenic spots should be strictly forbidden. Delegations going to learn from and visit other areas should be controlled to avoid burdening the governments and people there and wasting public funds. In the future, we should strive to cut down on commemoration and celebration activities. When

commemorating or celebrating, be thrifty and economical, advocate the practice of serving people with just "a cup of tea," and refrain from extravagance and waste. Exploiting opportunities to hold commemorations, celebrations, inaugurations, or trade fairs or accepting orders to hold receptions or tea parties with excessive amounts of food and extravagantly spending public money for private gain by giving gifts of souvenirs or test products, is absolutely forbidden.

6. Persist in thriftiness in dealing with external affairs. When groups or delegations are sent abroad or when foreign guests are invited to China, areas, departments or units should act according to relevant State Council regulations and report to organs in charge for screening and approval. Without approval, visits abroad and invitations to foreign guests shall not be allowed. Too many groups and delegations have been sent abroad to visit already, often overlapping in purpose. Since this has brought on criticism both at home and abroad, strict controls should be imposed, adhering to the principle of "fewer groups, fewer people, qualified personnel" and emphasizing actual results when indeed it becomes necessary to dispatch inspection tours. Plan the invitations of foreign guests to China, without concentrating too many visits simultaneously which would interfere with the domestic job responsibilities of leading comrades and departments concerned. Visit abroad, receive foreign guests and present and accept gifts according to policies and regulations. Pay attention to reducing external affairs expenses. It is forbidden to exploit the opportunity of entertaining foreign guests to purchase high-grade consumer goods for units concerned, to give banquets and present gifts without exercising discretion when visiting abroad and to hint at gifts from foreigners with the aim of exploiting power for personal gain.

7. Reestablish the standards for rates in guesthouses and hotels. At present, room and board rates in guesthouses and hotels have been raised excessively high, increasing administrative expenses. All areas and departments should realistically reestablish rate standards for guesthouses and hotels and lower unreasonably high standards. To increase income, guesthouses and hotels should improve administration and management and expand the scope of services rather than increasing rates. Price control departments at all levels should conscientiously grasp, under the leadership of local peoples' governments, this aspect of work and rationalize rate standards for guesthouses and hotels. In the future, no department or unit shall be permitted to raise rate standards without first obtaining approval from price department.

8. End the practice of apportioning administrative expenditures to other units or spending funds allocated for these expenditures for other purposes. Except for what is allowed by state regulations, no local governments at any level, departments in charge of institutions or neighborhood organizations shall be allowed to collect money or goods from administrative organs thus increasing their burdens. Expenditures for repairing and maintenance of rooms, buildings and equipment of an organ can be defrayed by administrative expense funds. All expenditures in the nature of capital construction, such as individual sets of equipment and individual earthwork projects worth more than 50,000 yuan should be included in capital construction plans, and be covered by capital construction investments not defrayed by administrative expense funds.

9. Consolidate above-budget funds. Currently, in addition to state budget allocations, all areas, departments and units have some above-budget income which should be consolidated. That part which must be delivered to the state must be delivered immediately and that part which may be retained by departments or units should be used in accordance with state regulations. Above-budget funds should mainly be spent to develop undertakings and improve working conditions and must not be spent to increase wages or pay bonuses for employees or to raise expenditure standards. If these practices are discovered, they should deal with as violations against financial and economic disciplines.

10. The basic spirit of the above regulations is also applicable to enterprises and institutions. Business management expenses in enterprises and administrative expenses in our institutions should also be reduced in accordance with these regulations, the actual methods for which will be decided on by the peoples' governments of provinces, autonomous regions and municipalities and by relevant central departments. The question of how to bring down administrative expenditures of troops and the armed police force should be decided respectively by the PLA General Logistics Department and the Armed Police Headquarters through studying the spirit of this circular.

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CSO: 4005/1363

CIRCULAR ON ENDING INDISCRIMINATE ISSUANCE OF LOTTERY TICKETS

Beijing STATE COUNCIL BULLETIN in Chinese No 7, 20 Mar 85 pp 140-141

[State Council Circular on Preventing the Indiscriminate Issuance of Lottery Tickets (4 March 1985)]

(Guofa (1985) No 31)

[Text] For some time now quite a few industrial and commercial enterprises and units in institutions have indiscriminately issued various kinds of lottery tickets. This has already become a new kind of unhealthy practice. Some have sold goods on a large scale with lottery tickets as prizes to market stockpiled, scrapped and defective commodities, raise prices in disguise, and deceive customers, disrupting the market. Others have issued various kinds of lottery tickets with valuable prizes to urge speculation, creating advantageous conditions to conduct unhealthy practices and seek profits. Still others have printed and sold large numbers of "gift certificates" and thus providing some units the convenience indiscriminately paying bonuses and paying in kind. Some units have adopted administrative measures to force sales of lottery tickets, arousing strong indignation among the masses. All this has seriously harmed the interests of the masses, eroded minds and already yielded evil consequences. If this unhealthy practice is permitted to continue, it will not only be detrimental to the improvement of the administration and management of enterprises and to the improvement of service quality, but will also obstruct the establishment of spiritual civilization, corrupt social moves, and hinder current economic structural reform. To end the unhealthy practice of indiscriminately issuing lottery tickets, the following circular is hereby issued:

1. Industrial and commercial enterprises must immediately stop selling goods along with lottery tickets. Those who have already sold goods with lottery tickets should follow up properly. Any increase in sales income gained through selling goods along with lottery tickets must be regarded as sales income and may not be divided up privately. Units or individuals are not allowed to raise funds by issuing lottery tickets. Those who have already done so must spend the funds collected entirely under the supervision of local governments concerned.

2. On principle, literature, art and sports circles are no longer allowed to sell tickets for activities with lottery tickets attached to them or judge activities which award prizes. In some literature, art and sports activities, to raise funds for the development of literature, art and sports, sponsoring units may be allowed to issue lottery tickets in a proper manner providing they do not affect the interests of the state and the masses, but they must submit reports and obtain approvals from superior leading organs. The activities of this kind that are sponsored by local units must be approved by provincial, regional or municipal people's governments; those sponsored by central departments must be reported to and approved by the State Council.

3. Subject to local government approval, experiments can be conducted on selling lottery tickets to raise funds for social welfare projects, but it is not appropriate to popularize this practice. Investors must be guaranteed payment, of interest and repayments of principal. Funds raised in this way are not allowed to be spent for any other purpose. Any lottery deposits that financial units have already started may be allowed to continue on an experimental basis, but the people's banks at various levels must strengthen management over this practice. At present, the scope of this practice should not be expanded.

4. Sales of "gift certificates" shall be implemented on a trial basis by only large, state-run commercial enterprises which have obtained approvals. "Gift certificates" shall only be sold to individuals for cash, and are not to be sold to units, which would increase the purchasing power of social groups. Units found to have fraudulently used public funds to issue "gift certificates" to employees should, without exception, be punished for violating financial regulations. Income earned by commercial enterprises through sales of "gift certificates" must be deposited into a special bank account. To maintain financial order, institutions and enterprises shall not be permitted to issue any kind of "tickets in lieu of money."

5. Industrial and commercial administrations and legal, commercial, banking, financial and audit departments at each level should conduct supervision and inspection. Lottery tickets and gift certificates that have already been issued should be conscientiously sorted out. Those wanting to issue additional tickets should be informed to immediately stop doing so. Economically, those who disobey orders and continue this practice in violation of regulations shall be severely punished. All illicit income should be confiscated and fines imposed. Legally, they should be investigated and responsibility should be determined and disciplinary action taken, even to the extent of legally punishing those mainly responsible for the offenses. Control should be resolutely strengthened over the issuance of approved lottery tickets and strict regulations formulated on the methods of issuance, the supervision and the expenditures of funds.

6. This circular goes into effect the day it is promulgated.

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PRC PRESIDENT SENDS GREETINGS TO TANZANIA'S NYERERE

Beijing STATE COUNCIL BULLETIN in Chinese No 7, 20 Mar 85 p 141

[Congratulatory Message by President Li Xiannian to President Nyerere on the 20th Anniversary of the Signing of the Chinese-Tanzanian Friendship Treaty]

[Text] Dar es Salaam

Your Excellency, President Julius Kambarage Nyerere of the United Republic of Tanzania:

On the 20th anniversary of the signing of the Sino-Tanzanian Friendship Treaty, on behalf of the Chinese Government and people and also in my own name, I wish to extend to you and through you to the government and people of your country our warm greetings and best wishes.

For the past 20 years, there has been full and satisfactory development in the friendly relations of cooperation between our two countries, founded on the five principles of peaceful coexistence and based on mutual support and common development, and there has been continuous deepening in the fraternal friendship between the peoples of our two countries. The experience in the past 20 years has fully demonstrated that the friendship and cooperation between China and Tanzania conforms to the interests of the peoples of our two countries and facilitates the cause of peace and the common development of our two countries. The Chinese Government and people highly treasure our friendship and friendly relations of cooperation with your country. I am deeply confident that through the joint efforts of both sides in continuously probing into and opening up new channels and areas of cooperation, there will certainly be new and even more magnificent prospects for our two countries' existing friendly relations of cooperation.

I sincerely wish the friendship between China and Tanzania to last forever!

Li Xiannian, President of the People's Republic of China
Beijing, 18 February 1985

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CSO: 4005/1363

CUSTOMS REGULATIONS ON IMPORTING CERTAIN PRODUCTION TOOLS

Beijing STATE COUNCIL BULLETIN in Chinese No 8, 30 Mar 85 p 191

[Customs Regulations on the Import of Small-Scale Production Implements by Urban and Rural Individuals in Industry and Commerce; promulgated by the General Administration of Customs on 1 March 1985]

[Text] Article 1. "Small production tools" in these regulations denote the machinery, equipment, processing tools, farm machinery and tools, instruments and spare parts used for maintenance of production equipment (not including various kinds of automobiles, frames of automobiles, motorcycles, and other mechanical and electrical products restricted by the state from importation that urban and rural individuals in industry and commerce import for production and operation.

Article 2. An urban or rural individual in industry or commerce desiring to import small production tools with an important value of 5,000 yuan or less (based on F.O.B. prices, the same in later context) should apply to the customs house at the port of import and submit his business license. After obtaining approval from Customs, the individual pays the duty and the import tax on production link products (or value added tax) then imports the tools.

Article 3. An urban or rural individual in industry or commerce who receives small production tools sent as gifts by relatives or friends abroad or in Hong Kong or Macao and that are valued from 5,000 to 20,000 yuan, should apply beforehand to the department of overseas Chinese affairs above the county level (including county level) for a document of approval. With this document customs will allow importation. When the tools are being imported, the receiver or his agent should fill out customs declaration forms for the import of these goods and submit the form to customs. Customs will allow importation after collecting duties and the import tax on production link products (or value added tax).

Article 4. Fina quality seedlings, domestic animals, poultry and eggs, the importation of which approval has already been obtained, may be imported duty free after customs has checked the quarantine certificates issued by animal and plant quarantine stations.

Article 5. "Small production tools" for which importation has been approved should be brought in within 6 months of the date of approval. Except in special cases where approval has been obtained from customs at the port entry for extension of the delivery period, the original document of approval will expire after the 6-month period.

Article 6. These regulations go into effect on 1 March 1985.

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CORRECTION ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 8, 30 Mar 85 back cover

Correction: The following words should be added below "Certain Regulations of the PRC Ministry of Urban and Rural Construction and Environmental Protection Governing Management of Foreign Private Housing" on page 859 of the No 24, 1984 issue of this Bulletin: Approved by the State Council on 2 August 1984, and promulgated by the Ministry of Urban and Rural Construction and Environmental Protection on 25 August 1984.

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